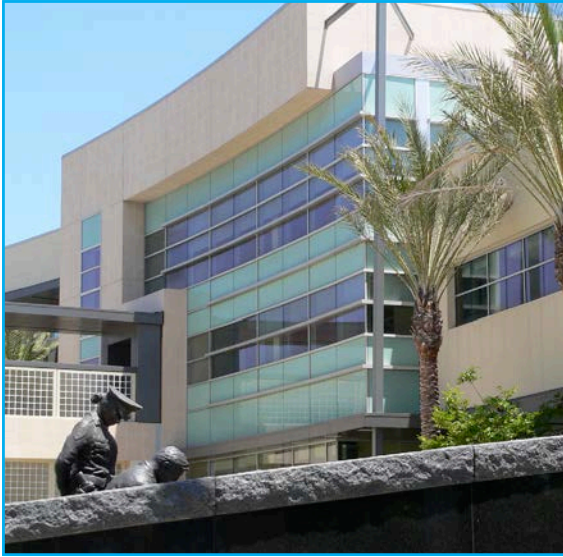


Financial History Summary



Prepared by the **Finance Department**
as of October 2012





City of Chula Vista

Financial History Summary

Fiscal Recovery and Progress Plan

In 2009, the City Council endorsed the City Manager's plan for stabilizing the City's financial condition. The City's Fiscal Health Plan included a four pronged approach that included the following categories:

- Budget & Fiscal Reforms
- Expenditures
- Increase/Protect Revenues
- Economic Development

The Fiscal Health Plan assisted the City in maintaining a balanced budget during severe and ongoing economic decline with the goal of achieving financial stability. The City has made great progress in implementing many of the components of the Fiscal Health Plan, which has resulted in both short-term and long-term savings. The Fiscal Health Plan has been further developed and incorporated into the Recovery and Progress Plan report and includes other key components also necessary to achieve fiscal recovery beyond the current budget cycle. The Fiscal Recovery and Progress Plan report identifies the major challenges the City faces in moving from financial stability to financial sustainability and eventually to financial resiliency.

Budget & Fiscal Reforms

The National Advisory Council on State and Local Budgeting (NACSLB) has developed a comprehensive set of recommended budget practices. These practices and the associated framework outline a budget process that encompasses the broad scope of governmental planning and decision-making with regard to the use of resources.

The work of the NACSLB provides a framework for describing the overall budget process. The framework is organized around the four principles of the budget process:

- Establish Broad Goals to Guide Government Decision Making
- Develop Approaches to Achieve Goals
- Develop a Budget Consistent with Approaches to Achieve Goals
- Evaluate Performance and Make Adjustments

Reforming the budget process was one of the key objectives identified in the development of the City's Fiscal Health Plan. Historically, the City had followed the traditional government budgeting system referred to as incremental budgeting.

Due to the decline in the economy over the past several years, the City has developed several reduction plans to address the structural imbalance that the economic downturn created in the City's operating budget. The reduction plans were developed using a modified priority-based budgeting process which allocated cuts across all departments at differing levels with an emphasis on protecting core services. The City is researching and evaluating the use of a priority-based budget process that will create a better connection between resource allocation and community priorities. The goal is to implement a budget process which encourages sustainable decisions in times of revenue scarcity as well as in times of revenue growth.

Expenditures

The City has reduced costs through the implementation of a variety of cost saving measures. These included the reduction or elimination of programs, reductions in staffing, and the elimination or deferral of previously

negotiated cost of living salary increases. The implementation of these expenditure reductions has occurred over a series of budget balancing plans that have resulted in significant service impacts. The following illustration displays the basis for the budget reductions.

Allocation Basis for Budget Reductions



Despite the City's population continuing to grow, the number of permanent, benefited employees is 26.2% lower than it was during Fiscal Year 2006-2007, which represents the peak for staffing. The following table summarizes the staffing changes by service category from Fiscal Year 2006-2007 to Fiscal Year 2012-2013. Through the various budget balancing plans, a concentrated effort has been made to protect public safety services. Reductions have included the following: Community Services (66.6% decrease), Development and Maintenance Services (34.2% decrease), and Legislative and Administrative departments (30.1% decrease). In Public Safety, positions were eliminated from the Fire Department primarily due to the transition to contractual fire dispatch services (10.6% decrease). The Police Department experienced a (9.0% decrease), which includes both sworn and non-sworn positions.

Staffing Level FY 2006-07 to FY 2012-13								
Council Adopted Budget	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 07–FY 13 Change
Legislative and Administrative	144.50	140.00	128.50	100.50	104.75	100.50	101.00	(43.50)
Development and Maintenance	472.75	458.25	398.25	357.75	351.75	308.75	311.25	(161.50)
Public Safety	532.50	540.50	493.50	480.50	482.50	477.50	482.00	(50.50)
Community Services	114.00	109.75	89.25	66.25	65.75	38.00	38.10	(75.90)
Total City Staff	1,263.75	1,248.50	1,109.50	1,005.00	1,004.75	924.75	932.35	(331.40)

Note: With the implementation of the various budget balancing plans, the City has focused on protecting core services. In order to focus on core City services some programs have been eliminated or transitioned to other agencies. For example, the Library Department previously provided after school programs (STRETCH and DASH), these programs are now provided by the YMCA. Reductions in staffing levels also reflect personnel reductions resulting from contracting services. For example, the Fire Department previously included staffing for Fire Dispatch. In order to reduce costs, Fire Dispatch is now contracted with the City of San Diego.

Increase/Protect Revenues

Seeking alternative funding options will be particularly critical to Chula Vista considering the low per capita revenues received from traditional tax sources. When comparing total property tax, tax increment, sales tax and transient occupancy tax revenues to other San Diego County municipalities in our region, the City of Chula Vista is the lowest on per capita basis. This creates significant challenges for the City as it works toward achieving short-term financial stability while operating costs continue to increase and City infrastructure continues to deteriorate as the City matures and maintenance is deferred.

Economic Development

A critical element for the City's long-term fiscal health depends upon continued development and diversification of the City's revenue base. That will occur over time, in these ways:

1. In the near term, the focus will continue to be on capturing sales tax revenues through purchasing within the City by our residents and visitors as well as business to business transactions. In addition, staff is continuing to assist in the retention and expansion of existing businesses.
2. Mid-term programs involve identifying and recruiting those businesses and industries that by their nature bring high paying jobs and revenues and can thrive in Chula Vista.
3. The City has made tremendous progress in long-term major development projects (such as the Bayfront project, Millenia project and the University and Technology Park) which will significantly contribute toward the City's long-term fiscal resiliency by attracting tourism, students and by providing high paying local jobs. The City, however, will not see significant financial returns for at least seven to ten years from these major developments or projects.
4. The City is committed to a proactive, informative, creative, and innovative marketing and communications program. Key elements of this program will include development and/or implementation of the branding/marketing focus developed by High Beam Marketing, community engagement efforts, strategic alliances, Web and social media programs, media relations and process improvements for internal and external customers.

The City will soon propose new sets of economic development policies and practices designed to promote business-to-business and consumer relationships that generate local business prosperity and contribute to economic sustainability. The policies will provide an incentive for business expansion and reward investment by local businesses and consumers whose local purchases create jobs and provide tax dollars that help fund vital community services.

Steps Taken Toward Long-Term Financial Resiliency

Many of the changes taken by the City were significant and will assist the city in moving toward long-term fiscal resiliency. Included below is a summary of some of the most significant changes/accomplishments achieved by the City over the past few years.

- Creation of second tier retirement benefits for new hires resulting in reduced pension benefits averaging from 10% to 40%.
- Current employees agreed to pay 100% of their share of pension costs.
- Elimination of retiree health care subsidy for new hires.
- Non-Public Safety employees gave up contractually scheduled raises.
- Public Safety employees agreed to defer contractually scheduled raises.
- From 2007 to 2012, Executive positions were reduced by 38% and Senior and Mid-Management/Professional positions were reduced by 34%.
- General Fund reserves have increased slightly over the past three years moving towards the revised Council Policy of 15% operating reserve levels. The City Council also approved the establishment of two new reserve categories (Economic Contingency Reserve and Catastrophic Event Reserve) with the goal of adding additional security to the General Fund which funds police, fire, recreation, public works, library and other services.
- Maintained a favorable bond rating (A-Stable Outlook) during the recent economic downturn.
- Issued the final payment related to the 1996 Pension Obligation Bonds reducing the General Fund debt ratio to 2.8% of the operating budget in Fiscal Year 2012-2013, from 4.7% in Fiscal Year 2011-2012.
- Created a successful partnership with the Chula Vista Nature Center as it transitioned to non-profit organization status.

- Partnered with UTC Aerospace Systems (Goodrich Aerostructures) to implement Continuous Improvement/Lean principals in the City with the goal of providing public services in the most efficient and cost effective manner.
- Since 2006, the City has repaired all the corrugated metal pipe (CMP) identified as needing immediate attention in the 2005 Baseline Condition Study.

The City of Chula Vista has taken significant steps toward long-term financial resiliency but it will continue to experience challenges related to continued infrastructure deterioration, increasing health care and pension costs and continued State takeaways. The Fiscal Recovery and Progress Plan report identifies next steps in areas which can be implemented in the short-term and continue to move the City toward long-term financial resiliency. The City's next steps include the development of a Long-Term Financial Plan which will help the City achieve financial and operational goals. The long-term financial planning process begins with technical analysis, such as long-term forecasting, debt capacity analysis, and capital improvement planning to reveal potential future imbalances in the financial position.¹ As part of the long-term financial planning process, staff will continue to update the individual components with the goal of bringing forward financial strategies and recommended fiscal policies for Council consideration.

All Funds Summary

All Funds Revenues

The total estimated All Funds revenue of \$260.1 million for Fiscal Year 2012-2013 reflects a net projected decrease of \$19.1 million when compared to the Fiscal Year 2011-2012 adopted budget. This decrease is attributed to the dissolution of the Redevelopment Agency and the establishment of the Successor Agency to the Redevelopment Agency. Of the estimated All Funds revenues total of \$260.1 million, \$124.3 million represents General Fund revenues.

The following table reflects a summary of all City revenues by category since Fiscal Year 2004-2005.

Revenue Category	FY04-05 Actual	FY05-06 Actual	FY06-07 Actual	FY07-08 Actual	FY08-09 Actual	FY09-10 Actual	FY10-11 Actual	FY11-12* Actual	FY 12-13 Estimated
Property Taxes	\$ 27.07	\$ 32.60	\$ 38.60	\$ 43.10	\$ 43.04	\$ 39.62	\$ 38.53	\$ 35.71	\$ 34.18
Other Local Taxes	\$ 54.12	\$ 53.13	\$ 53.44	\$ 59.40	\$ 47.78	\$ 45.47	\$ 49.44	\$ 47.13	\$ 49.01
Licenses and Permits	\$ 3.95	\$ 3.44	\$ 2.87	\$ 2.77	\$ 2.04	\$ 2.31	\$ 2.91	\$ 2.97	\$ 2.49
Fines, Forfeitures, Penalties	\$ 1.40	\$ 1.72	\$ 2.23	\$ 2.67	\$ 3.32	\$ 3.12	\$ 2.35	\$ 2.07	\$ 2.55
Use of Money & Property	\$ 11.64	\$ 8.26	\$ 13.92	\$ 17.77	\$ 12.23	\$ 8.12	\$ 10.19	\$ 6.53	\$ 3.24
Revenue from Other Agencies	\$ 49.85	\$ 43.66	\$ 40.53	\$ 50.38	\$ 43.84	\$ 45.85	\$ 52.77	\$ 44.16	\$ 46.68
Charges for Services	\$ 44.59	\$ 46.41	\$ 48.11	\$ 58.70	\$ 54.74	\$ 60.86	\$ 54.53	\$ 56.55	\$ 50.96
Development Impact Fees	\$ 22.63	\$ 37.88	\$ 11.65	\$ 5.64	\$ 1.75	\$ 2.41	\$ 8.69	\$ 5.62	\$ 4.28
Other Revenue	\$ 75.68	\$ 59.77	\$ 62.22	\$ 46.10	\$ 59.02	\$ 75.96	\$ 42.72	\$ 35.79	\$ 32.78
Transfers In	\$ 84.77	\$ 55.72	\$ 53.90	\$ 26.28	\$ 53.08	\$ 68.57	\$ 70.53	\$ 62.16	\$ 33.97
Total Revenues	\$ 375.69	\$ 342.61	\$ 327.47	\$ 312.80	\$ 320.84	\$ 352.29	\$ 332.65	\$ 298.68	\$ 260.14

*Unaudited actuals as of 10/03/2012.

As displayed on the table, the City has seen a decline in its revenue, due to the national economic recession. While there are some positive signs in the local economy, and modest revenue increases are projected in Fiscal Year 2012-2013, the City continues to project its revenues conservatively.

All Funds Expenditures

The total Fiscal Year 2012-2013 All Funds expenditure budget totals \$274.5 million. In comparison to the Fiscal Year 2011-2012 adopted budget, this reflects a decrease of \$25.2 million. The largest portion of the decrease is

¹ Gaining Commitment to a Long-Term Financial Plan, Shayne Kavanagh, GFOA

due to the elimination of the Redevelopment Agency and the final debt service payment related to the 1994 Pension Obligation Bond, which was made during Fiscal Year 2011-2012.

The following table reflects the expenditures for all funds by expense category since Fiscal Year 2004-2005.

Expenditure Category	FY04-05 Actual	FY05-06 Actual	FY06-07 Actual	FY07-08 Actual	FY08-09 Actual	FY09-10 Actual	FY10-11 Actual	FY11-12* Actual	FY 2012-13 Adopted
Personnel Services	\$ 112.29	\$ 129.25	\$ 136.73	\$ 134.31	\$ 127.81	\$ 118.54	\$ 116.35	\$ 113.58	\$ 117.38
Supplies and Services	\$ 48.94	\$ 48.48	\$ 48.74	\$ 51.20	\$ 44.35	\$ 50.49	\$ 50.95	\$ 52.15	\$ 56.81
Other Expenses	\$ 41.36	\$ 43.35	\$ 63.82	\$ 65.32	\$ 68.78	\$ 71.50	\$ 45.79	\$ 48.98	\$ 27.54
Capital	\$ 2.81	\$ 3.23	\$ 2.49	\$ 1.93	\$ 0.77	\$ 1.17	\$ 10.96	\$ 2.55	\$ 3.09
Transfers Out	\$ 84.77	\$ 55.72	\$ 53.90	\$ 26.28	\$ 53.08	\$ 68.57	\$ 70.53	\$ 66.10	\$ 33.97
CIP Project Expenditures	\$ 61.25	\$ 72.98	\$ 36.62	\$ 31.71	\$ 20.18	\$ 28.28	\$ 23.79	\$ 17.49	\$ 20.14
Non-CIP Project Expenditures	\$ 0.90	\$ 1.28	\$ 0.77	\$ 0.94	\$ 1.23	\$ 2.55	\$ 7.17	\$ 2.04	\$ 8.12
Utilities	\$ 5.53	\$ 5.73	\$ 6.36	\$ 6.28	\$ 6.42	\$ 6.49	\$ 6.24	\$ 6.43	\$ 7.43
Total Expenditures	\$ 357.84	\$ 360.02	\$ 349.44	\$ 317.97	\$ 322.64	\$ 347.58	\$ 331.77	\$ 309.30	\$ 274.47

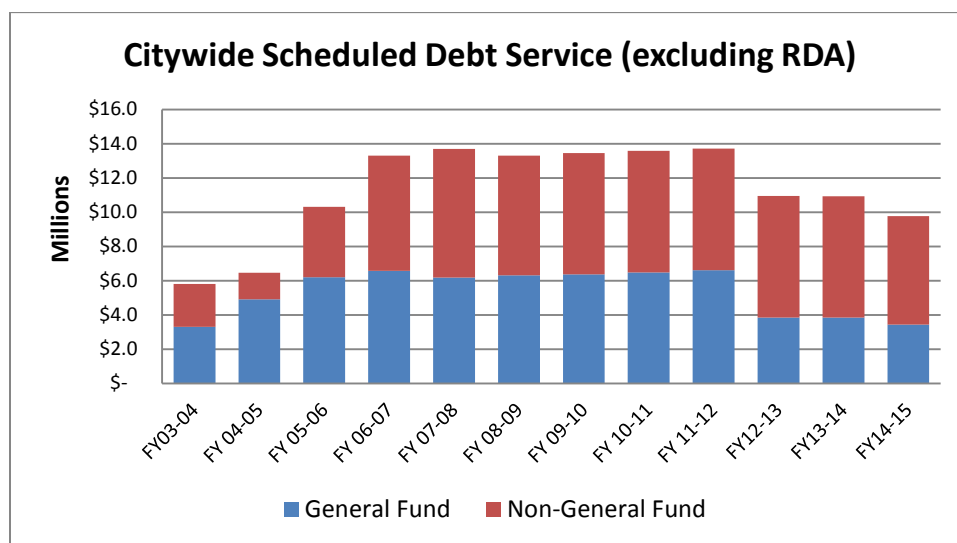
*Unaudited actuals as of 10/03/2012.

Debt Service

Due to the significant growth in development resulting in increased population and service demands, the City financed several major capital projects through debt issuances. Debt service payments are made from various City and Agency Funds in accordance with the legal documents governing each borrowing. Present debt is in the form of Certificates of Participation, Long Term Notes, Lease-Purchase Obligations, Tax Allocation Refunding Bonds, and Tax Allocation Bonds.

Debt has been issued by the City to finance a wide variety of projects, including the construction of the new Public Works Center and the new Police Facility, parking facilities, refurbishment of the Chula Vista Shopping Mall, property acquisitions, building remodeling, and equipment and software acquisition.

Annual debt service costs are funded by the General Fund, Public Facilities Development Impact Fee Fund, and property tax increment revenues from the Successor Agency to the Redevelopment Agency. Below is a chart detailing the scheduled General Fund and Non-General Fund debt service from Fiscal Year 2003-2004 to Fiscal Year 2014-2015 (excluding RDA).

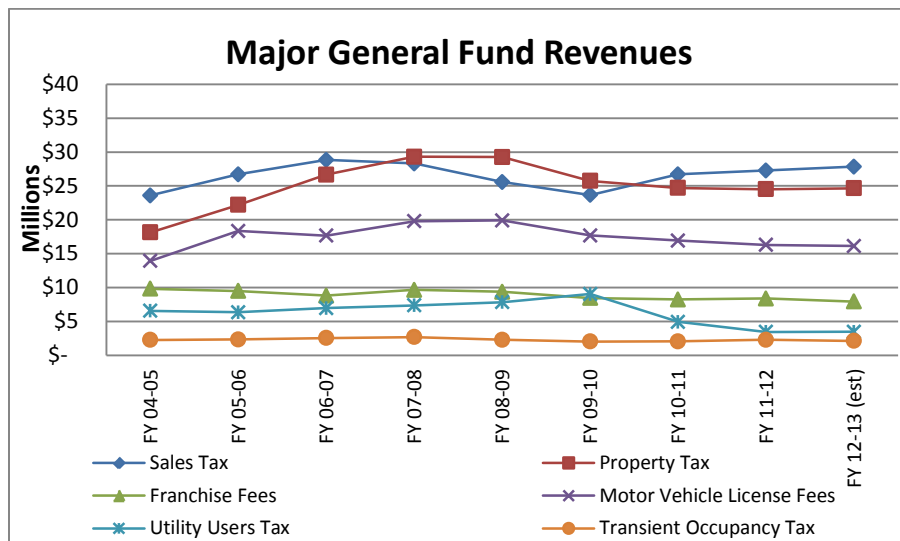


General Fund Revenues

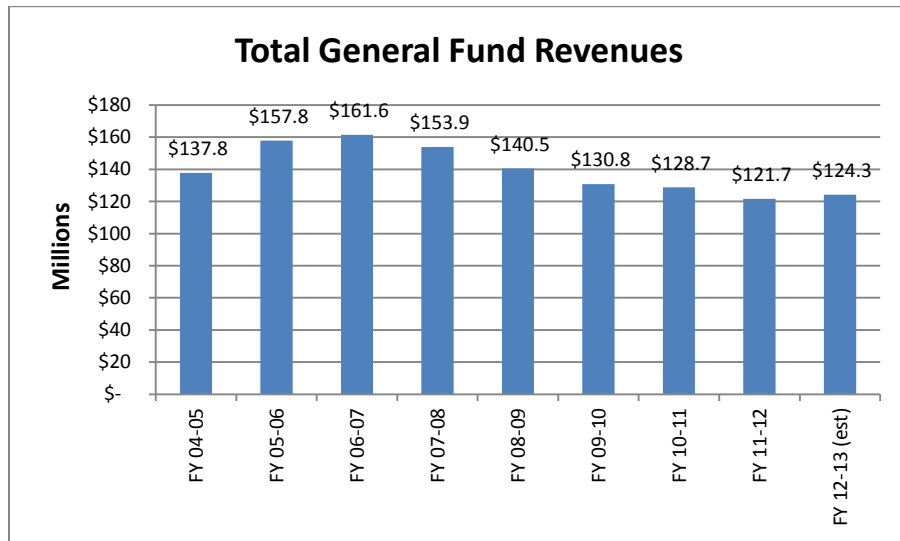
Revenues for local municipalities come from a variety of sources. The City's major revenues are derived from the following:

- **Sales Tax:** a 1% tax applied to all retail sales within the City limits. Due to the economic recession consumer spending has decreased significantly nationwide. Recent trends show sales tax revenues are beginning to improve, however the City continues to face lower taxable sales per capita when compared to other County cities.
- **Property Tax:** based on a 1% levy on the assessed value of all real property within the City boundaries. Property tax revenues have continued to fall throughout this economic recession with Chula Vista being one of the hardest hit areas. The large number of foreclosures has depressed housing values, and the significant drop in home resale prices has dramatically reduced supplemental property tax revenues. However, there are signs of recovery in the housing market which may improve projections in the near future.
- **Franchise Fees:** revenues generated from public utility sources conducting business within the City such as gas, electricity, cable and trash collection franchises. The decrease in Franchise Fee revenues can be attributed to the closure of the South Bay Power Plant.
- **Motor Vehicle License Fees (MVLf):** originally a 2% of value on car registrants. In an attempt to assist with the State's fiscal crisis the state has reduced the VLF fee to 0.65% net of County realignment and administrative reductions. This resulted in the loss of approximately \$687,000 annually for the City.
- **Utility Users Tax (UUT):** revenues are generated from the users of public utilities such as telecom, natural gas services, and electricity services.
- **Transient Occupancy Tax (TOT):** a 10% tax that is collected upon all hotel stays within City limits. TOT revenue declined during the economic recession due to the lack of discretionary spending by consumers. There is a potential for growth, provided additional hotels are built capturing the market created by the growth in the eastern section of the City.

The graph below illustrates the revenues received from these major revenue sources from Fiscal Year 2004-2005 to the estimated revenue to be collected in Fiscal Year 2012-2013.



The next chart displays the total General Fund revenues collected since the 2004-2005 Fiscal Year.



As displayed in the above chart, over the years, General Fund revenues have decreased since the peak in the 2006-07 Fiscal Year. When compared to Fiscal Year 2006-2007, General Fund revenues have decreased by 23.1% in Fiscal Year 2012-2013.

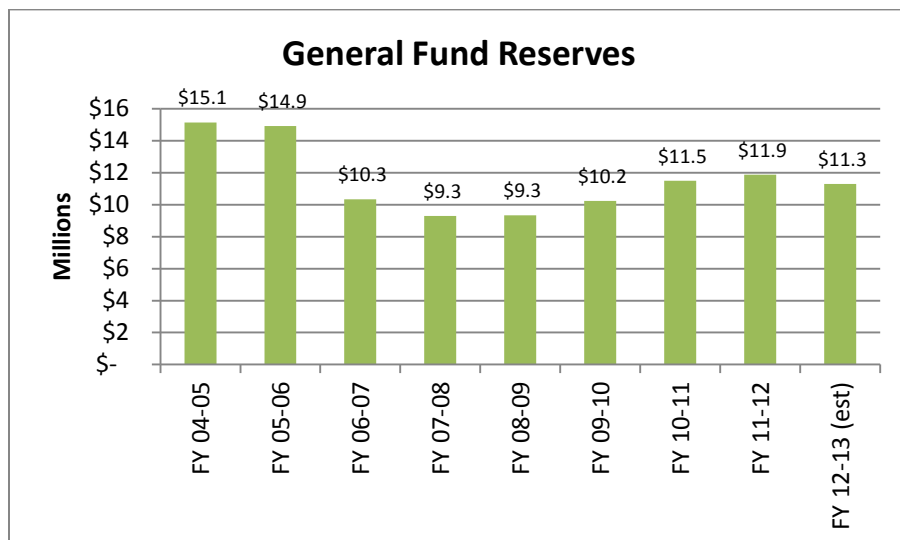
The City continues to look for alternative resources, including advancing key projects and expanding other programs to boost local revenues. Revenues have started to slowly show signs of recovery with positive, however weak growth estimated in Fiscal Year 2012-2013.

General Fund Reserves

In November 2009, the City Council approved a resolution updating the City's General Fund Reserve Policy, which provided guidelines for the use of reserves, set a new long-term goal for a higher General Fund Reserve level, from 8% to 15%, and established two additional reserves in the General Fund, the Economic Contingency Reserve and the Catastrophic Event Reserve at 5% and 3% respectively.

It is important to recognize that reserve levels have not only stabilized but have increased slightly as the City has implemented significant budget reduction measures to mitigate the negative impacts to General Fund reserves over the last several years.

The following chart depicts the General Fund reserves since Fiscal Year 2004-2005.



Over time, the City anticipates that the General Fund reserves will continue to increase slightly through the receipt of one-time revenues. This goes hand-in-hand with the City's conservative budget development policy which states:

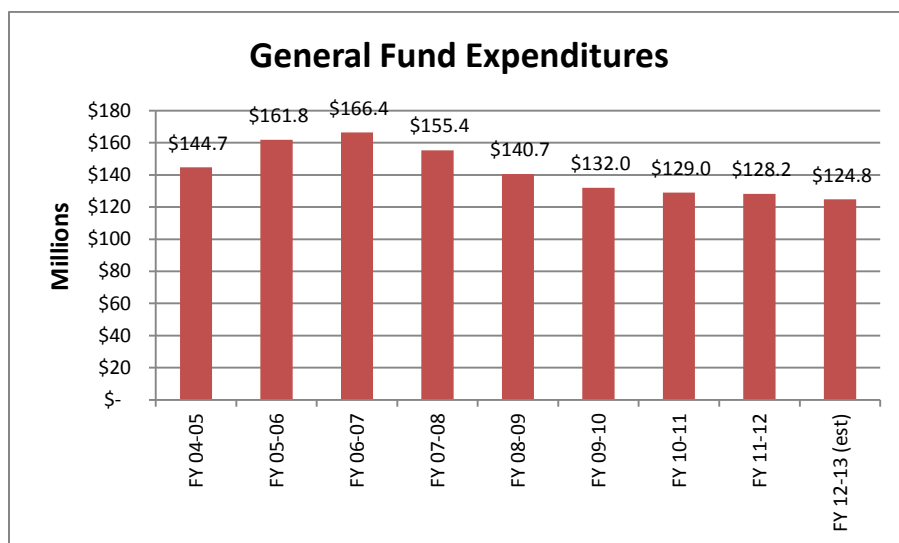
*"Recurring revenues will fund recurring expenditures. One-time revenues will be used for capital, reserve augmentation, or other non-recurring expenditures."*²

The City will continue to follow conservative budget development practices with the goal of ending the year with a modest surplus to assist in achieving the 15% reserve goal over time, without impacting City operations.

During the Fiscal Year 2012-2013 Council budget deliberations, the City Council approved the use of \$574,000 from the General Fund reserves. \$514,000 will be used to complete repairs needed in Bonita/Long Canyon for the remaining environmental and improvement costs. Council also approved the use of \$60,000 in reserves to fund South Bay Community Services' Domestic Violence Response Team.

General Fund Expenditures

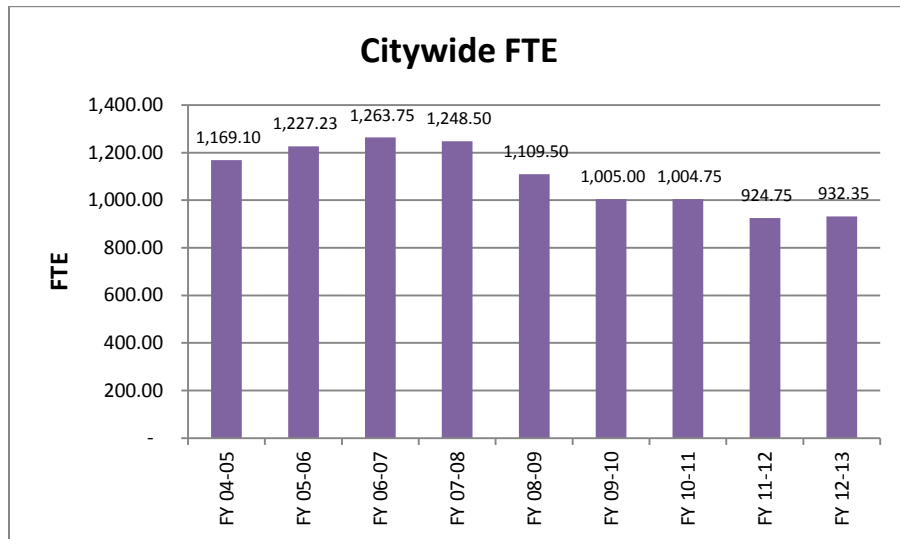
The City has been challenged with funding growing expenditures and community service needs, with limited resources (anticipated revenues). The peak of General Fund revenues in Fiscal Year 2006-2007 was also the peak of General Fund expenditures as illustrated by the following chart.



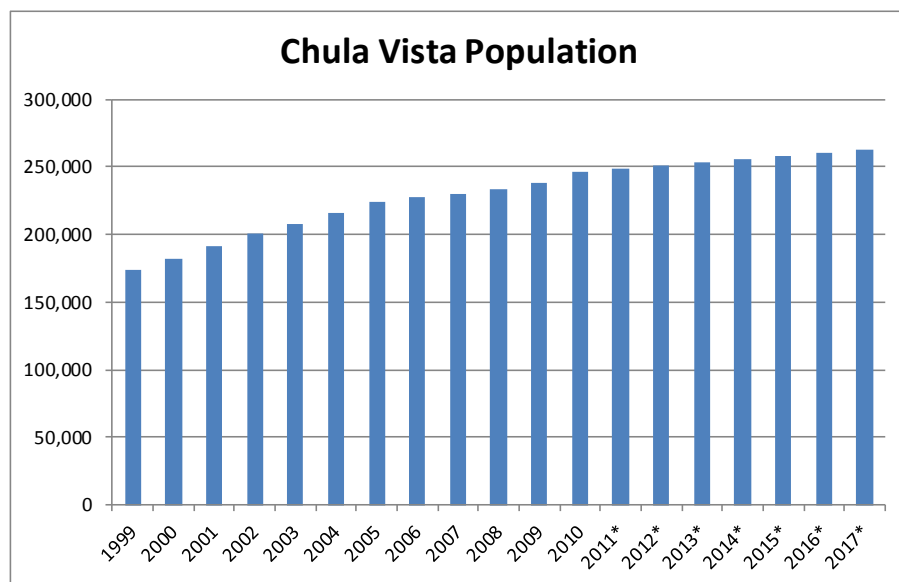
Major reductions since the 2006-2007 Fiscal Year have been implemented in an effort to keep expenditures in line with declining revenues.

Personnel expenditures (employee salaries and benefits) are the largest component of General Fund expenditures. At the beginning of Fiscal Year 2006-2007, personnel services represented 81.4% of the overall General Fund expenditure budget, compared to the adopted Fiscal Year 2012-2013 level of 80.4%. The chart below details the major staffing reductions, taken Citywide (excluding RDA), in Fiscal Years 2009 to 2012.

² City Council Budget Development Policy January 2000.



As mentioned earlier, despite the City's growth in population, shown in the following population chart, the number of permanent, benefitted employees has declined.

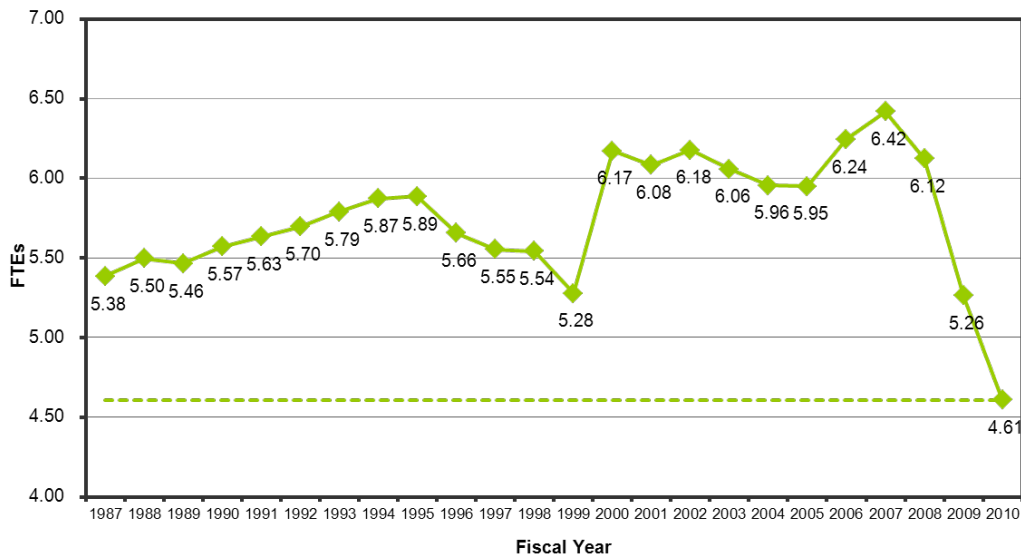


*Estimated based on a 0.9% annual increase as reflected in the SANDAG 2050 Subregional Growth Forecast. Actual population numbers obtained from California State Department of Finance. 2010 Increase reflects Adjustments per Census Data.

Note: Per the City's General Plan, estimated build-out population is 325,200 anticipated to be reached in 2030.

Budget constraints necessitated the net elimination of 331.4 full time equivalent (FTE) positions from the City's peak employment of 1,263.75 FTEs during Fiscal Year 2006-2007. Due to these cuts, the FTE per thousand residents has decreased from 5.5 employees per thousand residents in Fiscal Year 2006-2007 to an estimated 3.7 employees per thousand residents in Fiscal Year 2012-2013 (excluding hourly staffing). Below is a chart illustrating the City's per capita FTE up to Fiscal Year 2009-2010, which includes both permanent and hourly staffing.

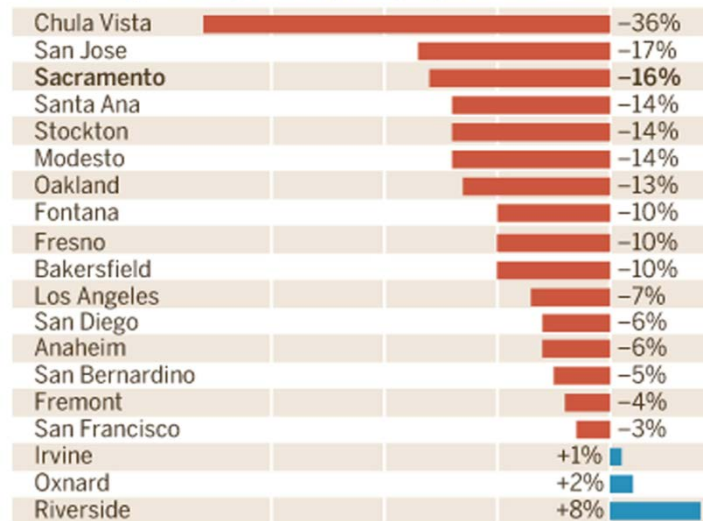
City of Chula Vista
Budgeted Permanent & Hourly Staffing*
FTEs per 1,000 Population, Citywide Total



*Hourly staffing FTE estimated for FY2006-2010 using amended hourly wages budget and average hourly wage rate.
 Sources – Budgeted Permanent & Hourly Staffing: Budget documents, amended hourly wage budget and authorized staffing report. City of Chula Vista population: California Department of Finance, all estimates as of January 1.

As compared to other cities within California, the City of Chula Vista had the largest percentage change in city employees. Below is a chart taken from the Sacramento Bee news article published on August 8, 2012, illustrating this comparison.

Percentage change in city employees 2007-2011



The City began making significant expenditure cuts in Fiscal Year 2006-2007 and has continued to do so in order to avoid deficit spending. Over the last several years, the City's bargaining groups worked with City management to reach new agreements that reduced personnel costs by making adjustments to employee compensation that included wage concessions and pension reform. Below is a summary of employee compensation changes implemented from January 2006 to the estimated change in January 2013.

Date of Salary Change	POA	IAFF	CVEA ⁽¹⁾	WCE	CONF	CVMM/ PROFA	CONF/UC PROF & MM	SM	EXEC
Jan-06	10%	8%	3%	3%	3%	3%	3%	3%	3%
Jan-07	4%	2%	3%	3%	3%	3%	3%	3%	3%
Jul-07	0%	2%	0%	0%	0%	0%	0%	0%	0%
Jan-08	4%	4%	4%	4%	4%	0%	0%	0%	0%
January 2009 ⁽²⁾	0%	0%	0%	0%	0%	0%	0%	-2%	-5%
Jul-09	0%	-1%	0%	0%	0%	0%	0%	0%	0%
Jan-10	0%	0%	0%	0%	0%	0%	0%	0%	0%
Jul-10	1%	0%	0%	0%	0%	0%	0%	0%	0%
Subtotal TD (Compounded)	20.2%	15.7%	10.3%	10.3%	10.3%	6.1%	6.1%	4.0%	0.8%
January 2011 ⁽³⁾	-2%	-9%	-2%	-4%	-8%	-8%	-8%	-8%	-8%
July 2011 ⁽⁴⁾	-0.5%	0%	-2%	-4%	0%	0%	0%	0%	0%
January 2012	-0.75%	0%	-2%	0%	0%	0%	0%	0%	0%
July 2012 ⁽³⁾	-0.75%	2%	-2%	See Note (5)					
January 2013	1%	2.5%							
Compound Change Jan 2006 - Jan 2013	16.6%	10.1%	1.8%	1.7%	1.5%	-2.4%	-2.4%	-4.3%	-7.3%
Average Change per Year	2.1%	1.3%	0.2%	0.2%	0.2%	-0.3%	-0.3%	-0.5%	-0.9%

Notes:

1. The side letter of Jan 12, 2009 with CVEA included a benchmark salary study that could have resulted in salary adjustments for CVEA member of up to 4% in Jan 2011 and Jan 2012. As part of the most recent agreement with CVEA, these potential salary adjustments have been eliminated.
2. City eliminated 401a contributions for Executives and Senior Managers on January 15, 2009.
3. Pension contributions - beginning on January 14, 2011 the following groups will pay towards their pension costs: City Council, IAFF, non-represented employees including Confidential, confidential and/or unclassified Professional and Mid Managers, Senior Managers, and Executives, WCE, and CVEA. The contribution will be 8% for non-safety employees and 9% for safety employees. CVEA will phase in their pension contribution, beginning with 2% in January 2011. They will contribute an additional 2% every 6 months until reaching a total of 8% by July 2012. The last 2% contribution will be effective as of June 30, 2012. WCE will phase in their pension contributions, beginning in January 2011 they will contribute 4% and an additional 4% in July 2011.
4. Per the most recent agreement with IAFF, this group has agreed to eliminate and defer raises scheduled beginning in January 2011. For the time period from January 2011 to January 2013 IAFF was previously scheduled to receive raises totaling 9%. They are now scheduled to receive a 2% salary increase in July 2012 and 2.5% in January 2013.
5. The existing agreements with WCE, CVEA, and CV MM/PROFA extend through June 30, 2012, for purposes of this table no additional changes are included in the Compound Change Jan 2006- Jan 2013 row or the Average Change per Year.
6. As of July 3, 2009, the car allowance for Executives and Senior Managers was reduced by 10% and the remaining amount was rolled into base wages. The impact of this change varied by position and therefore is not reflected on the table above.

Recognizing that creating a sustainable retirement plan for its employees is an important piece to achieving long-term financial resiliency, the City pursued pension reform through formal negotiations with all bargaining groups. These negotiations lead to changes which resulted in both short-term and long-term savings, the following is a list of these changes:

- The first component of pension reform dealt with employee's share of pension cost. All City employees are now contributing 100% of their share of pension costs. This represents 8% of base salary for non-public safety employees and 9% of base salary for safety employees.
- The second component of pension reform was the creation of a second retirement tier for employees hired after April 22, 2011. The pension formulas were changed as follows:
 - Miscellaneous employees went from 3%@60 to the new 2%@60
 - Public safety employees went from 3%@50 to 3%@55

The second component of pension reform does not create any short-term savings, however, over the long-term the City has improved its position on addressing increasing pension liabilities.

Although there have been wage concessions and pension reform, other Personnel expenditures have increased. This includes employee Flex Allotments as well as PERS rates. As reflected on the tables below that Flex Allotment costs and employer contribution rates to PERS have increased since Fiscal Year 2004-2005.

FLEX Allotment Increases by Bargaining Unit									
Bargaining Unit	2005	2006	2007	2008	2009	2010	2011	2012	2005-2012 % Change
Confidential	\$ 8,646	\$ 9,066	\$ 9,726	\$ 9,726	\$ 10,176	\$ 10,882	\$ 11,348	\$ 11,936	38.1%
Chula Vista Employees Association	\$ 8,146	\$ 8,566	\$ 9,226	\$ 9,226	\$ 9,676	\$ 10,382	\$ 10,848	\$ 11,436	40.4%
Executive	\$ 11,546	\$ 11,966	\$ 12,626	\$ 12,626	\$ 13,076	\$ 13,782	\$ 14,248	\$ 14,836	28.5%
Mid Managers and Professionals	\$ 9,146	\$ 9,566	\$ 10,226	\$ 10,226	\$ 10,676	\$ 11,382	\$ 11,848	\$ 12,436	36.0%
Senior Managers	\$ 10,146	\$ 10,566	\$ 11,226	\$ 11,226	\$ 11,676	\$ 12,382	\$ 12,848	\$ 13,436	32.4%
Western Council of Engineers	\$ 9,146	\$ 11,966	\$ 12,626	\$ 12,626	\$ 10,676	\$ 11,382	\$ 11,848	\$ 12,436	36.0%
Mayor & Council	\$ 11,546	\$ 11,966	\$ 12,626	\$ 12,626	\$ 13,076	\$ 13,782	\$ 14,248	\$ 14,836	28.5%
Public Safety (Police/Fire) ¹	\$ 9,240	\$ 9,512	\$ 10,832	\$ 10,752	\$ 11,652	\$ 12,956	\$ 13,888	\$ 15,112	63.5%

¹Public Safety employees do not receive FLEX Allotments, but have negotiated full payment of insurance premiums. Amounts shown have been calculated based on the average of an Employee + Family cost for Kaiser and Aetna health premiums and dental premiums paid in full by the City.

Employer CalPERS Contribution Rates									
Employee Group	FY04-05 ¹	FY05-06	FY06-07	FY07-08	FY08-09	FY09-10	FY10-11	FY11-12	FY12-13
Miscellaneous	15.975%	20.149%	18.505%	18.267%	18.317%	18.152%	19.599%	22.702%	23.668%
Public Safety	22.054%	23.250%	21.055%	22.291%	23.936%	23.228%	22.654%	26.134%	26.492%

¹Effective August 20, 2004 Fire Prevention moved to Public Safety, changing the rates to the following: Miscellaneous = 16.003% and Public Safety = 22.048%.

Five-Year Financial Forecast Summary

The goal of the Five-Year Financial Forecast is to assess the City's ability over the next five years to continue current service levels based on projected growth, preserve the City's long-term fiscal health by aligning operating revenues and costs, and slowly rebuild the operating reserves.

Current economic reports continue to reflect a soft economy. Therefore, the base forecast assumptions will continue to reflect a conservative outlook. The base forecast assumes that major discretionary revenues will increase at very modest levels throughout the forecast period.

The Five-Year Forecast was updated in May 2012 to reflect the City Manager's proposed budget for Fiscal Year 2012-2013. The following table represents the updated Five-Year Financial Forecast for Fiscal Years 2012-2013 to 2016-2017 as presented to the City Council in May 2012. It reflects the continuing fiscal challenges that are projected for the City as shown in the forecast period. As noted on the table below, the forecast indicates that there is a deficit for the outgoing years though at a significantly reduced level when compared to the previous forecast. Staff will continue to monitor economic trends and refine estimates as needed.

Description	FY 2012-13 Proposed	FY 2013-14 Forecast	FY 2014-15 Forecast	FY 2015-16 Forecast	FY 2016-17 Forecast
Revenues	\$ 124,147,000	\$ 123,987,000	\$ 125,716,000	\$ 127,694,000	\$ 130,251,000
Expenditures	\$ 124,661,000	\$ 127,303,000	\$ 128,831,000	\$ 130,380,000	\$ 131,980,000
Surplus/(Deficit)	\$ (514,000)	\$ (3,316,000)	\$ (3,115,000)	\$ (2,686,000)	\$ (1,729,000)

Note: The proposed budget reflected the use of \$514,000 of General Fund Reserves for a capital improvement project and the use of projected salary savings as a budget balancing measure. Changes to the General Fund made as part of the final Council Adopted Budget will be incorporated into future forecasts.

Due to a large portion of major revenues tied to economic indicators, the numbers that are presented in the Five-Year Forecast are projected using a conservative approach as a result of the fluctuations that can occur.

Five-Year Financial Forecast Assumptions

The key assumptions applied in the financial forecast are as follows:

Economic & Population Growth Assumptions

- Inflation is a measure of the increase for the cost of goods and services. Inflation impacts many revenues, such as rents and leases, and most expenditure categories throughout the five-year forecast and is projected to average 2% per year, which is a conservative assumption based on recent projections provided by the UCLA Anderson Forecast.
- The regional economies will begin to recover at very moderate levels.
- City population will continue to reflect modest increases.
- Millenia Project (Eastern Urban Center) and Bayfront Development – No additional revenues or operating expenses are assumed related to the Millenia Project or the Bayfront project area. As timing of development becomes more certain the revenues and operating expenses related to additional service demands will be added to the forecast.

Major Revenues Assumptions

- Sales Tax revenues will increase modestly (3.9% in 2013 and then 3% annually thereafter) throughout the forecast period.
- Base assessed value will remain flat through fiscal 2014-15 due to the continued fall-out from the housing crisis. Beginning in fiscal year 2015-16 and 2016-17 assessed values are assumed to increase by 2% and 3.2% respectively.
- Recent State takeaways of motor vehicle license fee revenues are reflected in the forecast.
- The Redevelopment Agency continues to fund loan repayments to the General Fund at an average of \$2.0 million per year.
- Franchise Fee revenues no longer assume any funds from the operation of the South Bay Power Plant.
- No UUT wireless telecommunications revenues are assumed.

Expenditures Assumptions

- Expenditures related to negotiated salary increases are reflected in the forecast based on currently negotiated Memorandums of Understanding. Step increases are included in the fiscal year 2012-13 budget but no additional raises, including step increases, are assumed beyond the current MOU's. For projection purposes only, we are not assuming raises beyond the current MOUs, but modifications to the forecast will be accounted for based on any negotiated changes.
- Flex Plan increases based on 10% health care premium increases per fiscal year based on historical trends.
- CalPERS retirement contribution rates will continue to increase due to recent market losses.
- No salary savings (vacancies) are assumed in the forecast with the goal of developing a conservative budget.
- No additional personnel are assumed in the forecast with the exception a grant funded position approved during fiscal year 2011-12 in the Police Department.